

Revised Corporation Code Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

- 1. What provides the exclusive voting rights to founders in a corporation?**
 - A. Ownership of majority shares**
 - B. Founders' shares**
 - C. Board resolution**
 - D. Legal mandate**
- 2. What does the "business judgment rule" protect?**
 - A. The rights of shareholders during board meetings**
 - B. Directors from liability when making business decisions in good faith**
 - C. A corporation from external lawsuits**
 - D. Management decisions from regulatory scrutiny**
- 3. What are treasury shares?**
 - A. Shares that are newly issued**
 - B. Shares that are reacquired by the issuing corporation**
 - C. Shares not yet paid for**
 - D. Shares that grant special voting rights**
- 4. What type of shares may be deprived of voting rights under the Revised Corporation Code?**
 - A. Only common shares**
 - B. Redeemable or preferred shares**
 - C. All shares**
 - D. No shares can be deprived of voting rights**
- 5. What does the Revised Corporation Code primarily aim to regulate?**
 - A. Shareholder dividends and payouts**
 - B. Corporate mergers and acquisitions**
 - C. Corporate structure and governance**
 - D. Investment funding and capital gains**

- 6. Which of the following is NOT typically included in corporate by-laws?**
- A. Procedures for meetings of the board of directors**
 - B. Details regarding stock issuance**
 - C. Specifications for corporate financial audits**
 - D. Criteria for hiring corporate staff**
- 7. What is the term length for directors as per the Revised Corporation Code?**
- A. Two years, with re-election allowed**
 - B. One year, with the possibility of re-election**
 - C. Three years, with no re-election**
 - D. Five years, renewable once**
- 8. What power allows a corporation to continue its existence regardless of changes in ownership?**
- A. Power of succession**
 - B. Power of dissolution**
 - C. Power of equity**
 - D. Power of transformation**
- 9. What is the significance of ethical standards in corporate governance?**
- A. They are optional for corporations**
 - B. They define acceptable behaviors and enhance corporate reputation**
 - C. They complicate decision-making processes**
 - D. They primarily focus on financial profitability**
- 10. What stipulates the authority of corporate officers?**
- A. The corporate charter alone**
 - B. The Articles of Incorporation, by-laws, and board resolutions**
 - C. Majority consent from shareholders**
 - D. State regulations governing corporations**

Answers

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1. B
2. B
3. B
4. B
5. C
6. D
7. B
8. A
9. B
10. B

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Explanations

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1. What provides the exclusive voting rights to founders in a corporation?

- A. Ownership of majority shares**
- B. Founders' shares**
- C. Board resolution**
- D. Legal mandate**

The exclusive voting rights to founders in a corporation are typically provided by founders' shares. Founders' shares are specially designated equity instruments that often come with enhanced voting rights or privileges compared to regular shares. This differentiation allows the founders to maintain significant control over the direction of the company despite the overall distribution of shares. In many situations, founders negotiate these rights during the formation of the corporation to ensure that they can exert a degree of control and influence in strategic decisions, which is crucial during the early stages of a company when leadership vision plays a vital role in establishing the company's path. Ownership of majority shares could provide control in general cases, but it doesn't specifically address the unique rights tied to the founders' shares which are established to protect the interests and vision of the original founders against dilution from subsequent funding rounds or new investors. Similarly, a board resolution might set policies about voting rights but does not inherently provide exclusive rights to founders. Similarly, a legal mandate refers to laws governing corporate behavior but does not act as a direct mechanism for granting exclusive voting rights to founders specifically.

2. What does the "business judgment rule" protect?

- A. The rights of shareholders during board meetings**
- B. Directors from liability when making business decisions in good faith**
- C. A corporation from external lawsuits**
- D. Management decisions from regulatory scrutiny**

The business judgment rule is a legal principle that protects directors and officers of a corporation when they make decisions in the best interests of the company, assuming those decisions are made in good faith, with due care, and in what they believe to be the best interests of the corporation. This rule recognizes that directors are often required to make decisions under conditions of uncertainty and that not all decisions will lead to favorable outcomes. As long as their decisions are made honestly and informed, they are generally shielded from personal liability for those decisions. This protection encourages directors to take necessary risks and make strategic choices without the fear of being held legally accountable for potential failures or poor outcomes, provided they acted within the scope of their authority and with proper motivation. In contrast, the other choices don't accurately reflect the essence of the business judgment rule. For example, while it does indirectly support shareholder interests by allowing directors to make bold and necessary decisions, it does not specifically focus on their rights during board meetings. It also does not offer blanket protection against external lawsuits or shield management decisions from regulatory scrutiny, as both of those scenarios involve different legal considerations beyond the scope of the business judgment rule.

3. What are treasury shares?

- A. Shares that are newly issued
- B. Shares that are reacquired by the issuing corporation**
- C. Shares not yet paid for
- D. Shares that grant special voting rights

Treasury shares refer to shares that have been issued by a corporation but are later reacquired by the same corporation. When a company buys back its own shares from the marketplace, these shares become treasury shares. They can be held for various reasons, such as to reduce the number of shares outstanding, to increase earnings per share, to provide shares for employee incentives, or to maintain control over the company. These shares do not confer voting rights or the right to receive dividends while they are held in the treasury. They can be reissued or sold again in the market at a later date, but until that occurs, they are essentially held as treasury assets and do not affect the company's equity in the same way that outstanding shares do. The other options describe different concepts: newly issued shares refer to those that have been created and sold for the first time, shares not yet paid for could refer to unissued shares pending payment, and shares that grant special voting rights relate to specific classes of shares rather than to treasury shares. Each of these options represents a distinct aspect of shares in a corporation, but they do not accurately define what treasury shares are.

4. What type of shares may be deprived of voting rights under the Revised Corporation Code?

- A. Only common shares
- B. Redeemable or preferred shares**
- C. All shares
- D. No shares can be deprived of voting rights

Under the Revised Corporation Code, redeemable or preferred shares may be deprived of voting rights. This provision allows corporations to structure their capital in a way that reflects their strategic financial needs while maintaining operational control. Preferred shares, in particular, are often issued with special rights or privileges, which may include a preference in dividends or upon liquidation but do not necessarily grant voting rights. This is a common practice in corporate governance, enabling companies to attract investment without diluting control among shareholders who are entitled to vote. This distinction serves as a tool for companies to balance the interests of different classes of shareholders, particularly those who have invested in preference shares. By depriving voting rights for these shares, corporations can ensure that control remains primarily with common shareholders who are directly involved in the firm's governance and policy decisions. In contrast, the other response options reflect misunderstandings of the specific privileges or restrictions that can apply to different types of shares under the Revised Corporation Code. Common shares typically carry voting rights, and the provisions regarding all shares and no shares would not align with the flexibility and specificity of the Code's regulations.

5. What does the Revised Corporation Code primarily aim to regulate?

- A. Shareholder dividends and payouts**
- B. Corporate mergers and acquisitions**
- C. Corporate structure and governance**
- D. Investment funding and capital gains**

The Revised Corporation Code primarily aims to regulate corporate structure and governance. This framework is essential as it sets out the rules and guidelines for how corporations are formed, managed, and dissolved. It establishes the relationships between shareholders, directors, and officers, ensuring that there are clear procedures for decision-making and accountability within the corporate structure. By focusing on governance, the code addresses various aspects such as the roles and responsibilities of corporate officers, the rights of shareholders, and the necessary procedures for meetings and voting. This regulatory framework is crucial in fostering transparency and fairness in corporate affairs, ultimately protecting the interests of all stakeholders involved. The emphasis on corporate structure and governance is key to ensuring compliance with legal standards and enhances overall business integrity and public confidence in corporate operations. This understanding is critical for anyone studying corporate law or involved with corporate management, as it lays the groundwork for effective corporate governance practices.

6. Which of the following is NOT typically included in corporate by-laws?

- A. Procedures for meetings of the board of directors**
- B. Details regarding stock issuance**
- C. Specifications for corporate financial audits**
- D. Criteria for hiring corporate staff**

The inclusion of criteria for hiring corporate staff is not typically found in corporate by-laws. By-laws are primarily concerned with the governance structure and procedural rules for a corporation, such as how meetings are conducted, the roles and responsibilities of directors and officers, and other operational guidelines critical to the organization's functioning. In contrast, the procedures for meetings of the board of directors are essential for regulating how meetings are held, including notice requirements, quorum, and voting procedures, ensuring that the board's activities are organized and lawful. Details regarding stock issuance are also crucial as they govern how and when shares can be issued, contributing to compliance with securities regulation and maintaining an accurate record of ownership. Specifications for corporate financial audits outline the requirements for financial transparency and accountability, vital for maintaining trust among stakeholders and satisfying regulatory obligations. In summary, while by-laws focus on organizational governance and procedures, criteria for hiring staff tend to fall under operational policies or employee handbooks rather than the formal by-law structure.

7. What is the term length for directors as per the Revised Corporation Code?

- A. Two years, with re-election allowed**
- B. One year, with the possibility of re-election**
- C. Three years, with no re-election**
- D. Five years, renewable once**

The term length for directors under the Revised Corporation Code is one year, with the possibility of re-election. This provision is designed to ensure that shareholders have the opportunity to evaluate the performance of directors annually and make decisions about their continued service on the board. By allowing for re-election, the code promotes accountability and enables shareholders to reflect on the directors' effectiveness and alignment with the corporation's goals. Additionally, this structure encourages directors to stay responsive to shareholders' needs and concerns, as they know their tenure is subject to annual review. This contrasts with other options that either extend the term duration too long or suggest a structure that does not allow for regular reevaluation of the board's leadership, which could lead to a disconnect between the directors and shareholders.

8. What power allows a corporation to continue its existence regardless of changes in ownership?

- A. Power of succession**
- B. Power of dissolution**
- C. Power of equity**
- D. Power of transformation**

The correct choice is the power of succession, which refers to the legal capacity of a corporation to maintain its existence independent of changes in ownership or the status of its shareholders. This characteristic is fundamental to corporations because it allows for continuity and stability despite potential fluctuations in ownership, such as when shares are bought or sold. This means that even if the individuals who own the corporation change—through sales, transfers, or even the death of shareholders—the corporation itself remains intact and operates as a single legal entity. The power of succession ensures that the corporation can fulfill its obligations, continue its business operations, and uphold its contractual commitments without interruption. In contrast, the other choices do not represent the same concept: the power of dissolution pertains to ending the existence of a corporation, the power of equity relates more to fairness and justice in legal proceedings, and the power of transformation typically refers to changing the structure or nature of a corporation rather than its ongoing existence.

9. What is the significance of ethical standards in corporate governance?

- A. They are optional for corporations**
- B. They define acceptable behaviors and enhance corporate reputation**
- C. They complicate decision-making processes**
- D. They primarily focus on financial profitability**

Ethical standards play a crucial role in corporate governance because they define acceptable behaviors and greatly enhance a corporation's reputation. By establishing clear guidelines for conduct, these standards help ensure that all stakeholders — including employees, management, shareholders, and the community — can trust that the corporation operates with integrity and responsibility. This trust is foundational for building strong relationships that can lead to loyalty and long-term success. Incorporating ethical practices into corporate governance also allows companies to navigate complex situations more effectively, as they have a framework to guide decision-making. Ethical standards help prevent misconduct, reduce the risk of scandals, and can lead to a more engaged workforce. Furthermore, a strong ethical framework contributes to a positive public image, which can be a significant competitive advantage, facilitating better business opportunities and attracting investors who value corporate responsibility. On the other hand, options suggesting that ethical standards are optional or that they complicate decision-making or focus solely on financial profitability undermine the essential role of ethics in fostering a sustainable and responsible corporate environment.

10. What stipulates the authority of corporate officers?

- A. The corporate charter alone**
- B. The Articles of Incorporation, by-laws, and board resolutions**
- C. Majority consent from shareholders**
- D. State regulations governing corporations**

The authority of corporate officers is primarily determined by the Articles of Incorporation, by-laws, and board resolutions. These documents outline the organization's governance structure and define the power and responsibilities assigned to officers within the corporation. The Articles of Incorporation serve as the foundational document that establishes the corporation's existence and details its basic structure. The by-laws are adopted by the board of directors and delineate the rules and procedures for the corporation's internal management. They cover aspects such as the duties of officers, their powers, and how they operate within the organization. Board resolutions may also grant specific powers or responsibilities to particular officers, further clarifying their authority in various contexts. In contrast, while the corporate charter is fundamental, it does not provide the comprehensive detail regarding the operational authority of officers as the combination of the Articles of Incorporation, by-laws, and resolutions does. Majority consent from shareholders or state regulations may influence governance but are not the immediate source of authority for corporate officers. Thus, the collective governance documents distinctly establish the scope and extent of an officer's role within the corporation.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://revisedcorporationcode.examzify.com>

We wish you the very best on your exam journey. You've got this!